

Impacts of war, drought bear down on wheat market

By **MATTHEW WEAVER**
Capital Press

If ports in Ukraine are still closed come summer, disruption of the world's wheat market could become "much bigger," analysts say.

The Ukraine conflict remains the biggest factor impacting global wheat supply in the short term, said Gro Intelligence senior research analyst Will Osnato.

But, he said, countries having to import more wheat than usual and drought in the U.S. will have a bigger impact on prices later in the year.

Ukraine's wheat crop

is entering a key growing phase. Lack of fieldwork and fertilizer applications could hurt yields, he said.

Ukraine's farmers would typically harvest the new crop in July.

Exports through Ukraine's western border are estimated at 10% to 15% of capacity.

The Black Sea region typically exports 11 million tons each of wheat and corn, 2.2 million to 3.3 million tons of sunflower oil and 2.2 million tons of barley from March to June.

Ukraine's ports are closed. Russian ports are operating, but freight rates are "substan-

tially higher," and it's difficult to book new cargos, Osnato and analyst Kelly Goughary said.

"Wheat will continue to be the ag bellwether for the Black Sea conflict," Goughary said.

Wheat futures prices are up 70% to 80% over a year ago. They said March 8 was one of the most volatile days in the history of the wheat market.

The heightened price reaction to the war comes on the heels of an already tightening supply, Goughary said.

Major exporter stocks-to-use ratios are the tightest since 2007-2008. On top of the Black Sea export disrup-

tion, about 22 million tons of wheat was lost to drought in North America.

The speakers pointed to strong demand from China, the world's largest wheat importer. Last year, China imported more than 10 million metric tons, the most in 25 years, and almost double the amount imported the previous year.

"This tightened world stocks further," Goughary said.

China's growing meat consumption has increased demand for wheat and other grains as animal feed.

China is also the world's largest wheat producer, at 151

million tons. Current USDA projections indicate China will import 9.5 million metric tons of wheat during the current marketing year.

The analysts expect more demand from other top importers.

An increase in acreage elsewhere in the world can't solve the supply gap for some time, they said. More than 75% of the world's wheat production is already planted.

The analysts pointed to average to below average growing conditions in the U.S., EU and China.

India and Australia could help fill the gap. The European Union has only a limited

ability to significantly expand exports.

U.S. wheat supplies are available, but freight makes it cost prohibitive, they said.

"The U.S. has become a residual supplier of wheat, only sourced when there is truly a need or prices are low enough to encourage demand," Goughary said.

The war will dominate the headlines, but production will ultimately determine wheat prices for the next 6 to 12 months, Osnato said.

"It just doesn't appear we're going to be growing our way out of this high-price environment in the short term," he said.



Capital Press File

A record number of feeder cattle were headed into feedlots last month.

Cattle feedlots packed, lower supplies ahead

By **CAROL RYAN DUMAS**
Capital Press

Feedlot owners put a record number of cattle on feed last February as producers dealt with dry conditions and processors were running at a steady clip.

The number of cattle placed into large feedlots totaled nearly 12.2 million, 1.4% above a year earlier and the highest March 1 inventory since USDA National Agricultural Statistics Service began the reporting series in 1996.

The placement number was higher than analysts' average estimates. It was a big number but still within the range of estimates, said Derrell Peel, extension livestock marketing specialist with Oklahoma State University.

Several factors were in play with the high placements, including dry conditions in the Southern and Central Plains. Cattle in those regions have been moving into feedlots in January and February, he said.

Some of the higher placements could also have come from backgrounded cattle up north, where feed resources are tight. In addition, high prices could have pulled cattle out of the country, he said.

"I think producers were taking advantage of it," he said.

Feedlots have seen relatively high placements during the last five or six months, he said.

"We've been pulling cattle ahead ... essentially borrowing against the future," he said.

But those numbers will tighten, he said.

"There's only so much cattle out there," he said.

That's expected to show up in significantly tighter feeder cattle supplies in April and May, he said.

"I think it will happen in March," he said.

Total feeder receipts from auctions, direct and internet sales for the first three weeks of March are down 17% year over year, he said.

Feedlots will have plenty of cattle to market for another few months, but tighter placements are ahead, and feedlot production will decline in the second half of the year, he said.

At 1.82 million head, marketings of fed cattle in February were up 4.9% year over year and a bit higher than analysts' estimates, he said.

Fed heifer slaughter was up 4.6% in February year over year, and beef production was up 6.9% from a year earlier, he said.

The increase in both placements and marketings are relative to February of last year, when a massive winter storm limited move-

ment of cattle in and out of feedlots, he said.

"One message there is that we are moving cattle well through the system," he said.

The industry has had far fewer packer labor constraints compared to February 2021, he said.

"Even though we've got large feedlot numbers, we're not backed up in any sense of the word," he said.

As for feeder and yearling cattle prices, higher prices are expected due to tightening supply, he said.

"We will probably see the highest prices of the year at the end of the year," he said.

Feedlots are working with a limited pool of feeders, and even drought won't affect prices, he said.

"You can get them sooner or you can get them later, but you can't have them both," he said.

If drought conditions persist, calves that normally sell in the spring and fall could go to feedlots earlier and lighter, he said.

"It's not going to change pricing very much because there's just not many of them," he said.

Demand for seed booms, but growers face mounting challenges

By **SIERRA DAWN MCCLAIN**
Capital Press

It's both an exciting and difficult time to be in the seed industry, experts say — exciting because demand is strong and prices are high, difficult because the supplies and labor farmers rely on are increasingly expensive and in short supply.

Bryan Ostlund, administrator of several Oregon commodity commissions, said seed growers are worried about rising costs for just about every input.

"Things have rapidly changed," said Ostlund. "These are significant increases we're seeing."

In response, growers are adapting.

Though many growers face similar challenges, specifics vary from farm to farm. Ostlund said that's partly because seed growers tend to sign multi-year contracts for certain inputs. He said a grower in the middle of a multi-year fuel contract might be relatively "safe," while one whose contract expired right before fuel prices rose could be in deeper trouble.

An illustration of this is Kent Burkholder, who runs a midsized Willamette Valley farm focused on grass seed.

Burkholder said he was fortunate to have set up a three-year contract for farm diesel in 2020, so he's paying only \$1.72 per gallon. Next year, when his contract expires, he expects his price to jump to \$2.13 per gallon.

"I was fortunate — not by my planning, but I more or less just kinda lucked into it," he said.

Burkholder was not as fortunate in other areas. His fertilizer costs have



Berger International

Becky Berger of Berger International farms 3,200 acres in three counties. Her family farm grows grass seed and offers custom seed cleaning and produces red clover seed, grass straw, hazelnuts, red clover silage and hayage.

climbed steeply. In 2021, Burkholder said he paid \$475 per ton for urea; in 2022, it's \$1,000 per ton.

Burkholder has changed his fertilizer mix to some extent, including buying cheaper liquid fertilizer he wouldn't normally use. Generally, he has kept fertilizing as usual.

"I haven't really changed my practices too much," he said. "I know what it takes to raise a good crop, and you're not going to be able to sell anything if you don't have a crop to sell."

To cut costs, other growers say they're applying less fertilizer.

Becky Berger, of Berger International, a sixth-generation Willamette Valley family farm known for grass seed, said her farm is being "more conservative in (its) fertilizer use."

Freight costs are also high, but Berger said the cost of shipping hasn't slowed customers from buying because global seed inventories are "very tight."

"Seed is so short in supply that they're just happy if they can get it," she said.

Berger's biggest con-

cern is labor — both rising wages and Oregon's pending overtime pay rule.

"That's honestly impacting my sleep at night," she said.

Berger said she doesn't have a plan yet for how to adapt.

Growers also continue to face supply shortages.

Berger said she's been struggling to get polyethylene bags.

"That's scary. What do you put your seed into if you don't have bags?" she said.

Burkholder said his crew has been stocking up in advance on equipment parts most likely to break or wear out — including belts, disc blades and bearings.

Berger and Burkholder said they're also concerned about global unrest. If the U.S.-China relationship deteriorates, it could hurt their industry, since China is their top foreign market.

Despite concerns, seed growers say they're glad to be an in-demand industry.

"I feel really fortunate to rub shoulders with some smart, really innovative people," said Berger. "I think we'll make it."

BOISE PROJECT BOARD OF CONTROL

Start of 2022 Irrigation Season for the Boise Project Board of Control

The Boise Project Board of Control serves nearly 167,000 acres. Starting on April 18th, 2022, the Project will activate over 460 canals and laterals in Ada and Canyon Counties. Irrigation delivery service to our patrons will begin no earlier than April 22nd, 2022, after the canals have risen to allowable elevations and the water is ready to be delivered. Southern Idaho is experiencing drought conditions for the second year in a row. As a result, the snowpack in the Boise River basin is substantially lower-than-normal and reservoir elevations are also lower than normal. Based on the current water availability projections, the Boise Project Board of Control has set the water allotment at this time at 1.20 acre-feet of water per acre. This allotment amount is subject to change due to unknown variables in the weather, future precipitation, and snowmelt runoff.

For more detailed information, please visit our website at:

www.boiseproject.net

This press release is to further serve as notice to parents and children alike of the approaching hazards of water in the irrigation canals.

If you have any questions, please contact Bob Carter, Project Manager, at (208) 344-1141.

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